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Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 IO-14 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-01 H-02 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00
AID-05 SS-15 STR-06 ITC-01 TRSE-00 USIA-15 PRS-01
SP-02 SOE-02 OMB-01 DOE-11 XMB-04 ACDA-12 NRC-07
OES-07 PM-05 /171 W
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R 230913Z JAN 78
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TO SECSTATE WASHDC 4572
INFO USMISSION GENEVA
AMEMBASSY BRUSSELS
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SUBJECT: ECONOMIC ASPECTS OF PRIME MINISTER'S AND CABINET SPEECHES
BEFORE OPENING OF 84TH DIET.

1. SUMMARY: GOJ PRIME MINISTER AND CABINET MINISTERS OPENED
84TH DIET SESSION WITH SPEECHES AT STRESSED ROLE OF JAPAN IN
MODERN WORLD.RECENT U.S.-JAPAN CONSULTATIONS WERE PRAISED
AND GOJ PLEDGES MADE TO INCREASE IMPORTS THROUGH DOMESTIC
ECONOMIC EXPANSION WITH A 7 PCT GROWTH TARGET; LIBERALIZATION OF
QUOTAS, TARIFFS, AND OTHER TRADE BARRIERS. FISCAL POLICIES
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AND PUBLIC WORKS WILL FORM CORE OF EXPANSION. AN IMPROVED
SOCIAL SECURITY SYSTEM WAS PROMISED. ONLY SOUR NOTE WAS
SOUNDED BY EPA DIR. GEN. WHO INDICATED 7 PCT ECONOMIC GROWTH
WOULD BE VERY DIFFICULT TO ATTAIN. MURAYAMA ALSO SAID TAX ON OIL
WOULD BE RAISED, BUT NOT INCOME TAXES. END SUMMARY.

2. IN A SERIES OF SPEECHES GIVEN SATURDAY (JANUARY 21) TO

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OPEN THE 84TH ORDINARY DIET SESSION, PRIME MINISTER FUKUDA, FOREIGN MINISTER SONODA, FINANCE MINIYTER MURAYAMA, AND THE DIR. GEN. OF THE ECONOMIC PLANNING AGENCY (EPA) MIYAZAWA EACH TOUCHED ON A VARIETY OF MATTERS RELATING TO ECONOMICS, FOREIGN RELATIONS, DEFENSE, AND POLITICS.

3. ON ECONOMICS: PRIME MINISTER FUKUDA REPEATEDLY STRESSED THE IMPORTANCE OF JAPAN COOPERATING WITHIN THE WORLD COMMUNITY TO COUNTER PROTECTIONISM AND "NARROW-MINDED NATIONALISM". HE PRAISED THE RECENT U.S.-JAPAN CONSULTATIONS AS A "SIGNIFICANT" ACHIEVEMENT, SAYING THAT JAPAN "WILL STRIVE FOR THE RECTIFICATION OF ITS CURRENT ACCOUNT SURPLUS AND THE (U.S.) FOR THE STABILIZATION OF THE DOLLAR." HE ALSO PLEDGED TO MORE THAN DOUBLE FOREIGN ASSISTANCE OVER THE NEXT 5 YEARS. THE GOJ, HE SAID, WILL TRY TO INCREASE IMPORTS THROUGH DOMESTIC DEMAND ORIENTED ECONOMIC MANAGEMENT AND THROUGH ADVANCE TARIFF CUTS, AND THE PARTIAL LIBERALIZATION AND EXPANSION OF QUOTAS. HE PROMISED THE GOVERNMENT WOULD EXERCISE PRUDENCE TO "NOTCAUSE ANXIETIES IN DOMESTIC INDUSTRY AND AGRICULTURE."

4. THE PM ADMITTED LAST YEAR'S EFFORTS TO STIMULATE THE DOMESTIC ECONOMIC WERE NOT SUCCESSFUL BECAUSE OF THE APPRECIATION OF THE YEN. HE NOTED THE DOMESTIC ECONOMY CANNOT DEPEND ON EXPORTS OR INVESTMENT FOR GROWTH. THEREFORE, HE SAID, THE GOJ WOULD HAVE TO RESORT TO FISCAL MEASURES BEGINNING
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IMMEDIATELY AND NOT WAIT FOR THE APRIL JFY 78 BUDGET FOR IMPLIMENTATION. HE PROMISED MEASURES TO HELP DEPRESSED INDUSTRIES ANDSMALL AND MEDIUM ENTERPRISES. HE SAID PUBLIC WORKS WILL BE THE CORE OF STIMULATIIN WITH LARGE SCALE EXPANSION OF ROADS, RAILWAYS, COMMUNICATIONS PORTS AND HARBORS, RIVERS, AGRICULTURAL INFRASTRUCTURE, FORESTS, AND DISASTER PREVENTION. LOCAL PRIORITIES WILL INCLUDE WATER SUPPLY SYSTEMS, SEWAGE SYSTEMS, PARKS, SCHOOLS, HOSPITALS; AND HEALTH, WELFARE, SOCIAL, AND SPORTS FACILITIES. HE ALSO PROMISED TO IMPROVE THE SOCIAL SECURITY SYSTEM; PROMOTE SCIENCE AND TECHNOLOGY, ESPECIALLY IN THE FIELDS OF NUCLEAR ENERGY, ENERGY CONSERVATION AND OCEANOGRAPHY; AND STRENGTHEN AGRICULTURE, FORESTRY, AND FISHERIES IN ORDER TO IMPROVE NATIONAL SELF SUFFICIENCY AND SECURE STABLE FOOD SUPPLIES.

5. BY SETTLING ON A JFY 78 ECONOMIC GROWTH OF "AROUND 7 PCT", THE PM SAID JAPAN WAS ENTERING A "NEW ERA" IN WHICH "THE QUALITY OF GROWTH IS PREFERRED TO THE RATE OF GROWTH". STABLE PRICES AND EMPLOYMENT WILL BE THE VERY BASIS OF THE SOCIAL ORDER, HE PROMISED.

6. SONODA'S SPEECH VIRTUALLY ECHOED THE PM'S ON ECONOMICS.

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MIYAZAWA FRANKLY ACKNOWLEDGED THERE WOULD BE GREAT DIFFICULTIES ATTAINING THE JFY 78 ECONOMIC GROWTH TARGET OF 7 PCT. HOWEVER, HE PLEDGED THE GOJ WOULD TRY. MURAYAMA ALSO ECHOED THE PM'S SPEECH, BUT CAUTIONED GOJ DEPENDENCE ON BONDS FOR 32 PCT OF JFY 78 REVENUES COULD STIMULATE INFLATION. SOME ADDITIONAL TAX WOULD BE RAISED THROUGH A NEW OIL TAX, HE SAID, BUT NOT NEW INCOME TAXES. HOWEVER, HE SAID AN INCREASE IN THE NATIONAL TAX BURDEN WOULD BE UNAVOIDABLE IF NECESSARY FISCAL BALANCE WAS TO BE RESTORED.

7. OTHER ASPECTS OF SPEECHES WILL BE COVERED SEPTELS.
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